

AGENDA: March 23, 2004

7.2

CATEGORY: New Business

DEPT.: City Manager

TITLE: Local Taxpayers and Public Safety
Protection Act Initiative

RECOMMENDATION

Adopt A RESOLUTION SUPPORTING THE LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT INITIATIVE, to be read in title only, further reading waived.

FISCAL IMPACT

There is no fiscal impact directly associated with the approval of the above-listed recommendation.

In Fiscal Year 2003-04, because of State revenue take-aways, the City of Mountain View will lose an estimated \$5.7 million in vehicle license fee (VLF) and property tax revenues that would have otherwise been available to the City's General Operating Fund to support public safety (e.g., police, fire/paramedic, and 9-1-1 services), community services (e.g., parks, recreation, youth and senior services), community development and planning, public works and Library services.

Placement of the initiative on the November 2004 ballot will provide an opportunity to protect local revenues from additional State revenue take-aways.

BACKGROUND AND ANALYSIS

Since the early 1990s, the State has been taking increasing amounts of property and other tax dollars away from local governments to balance its own budget. More than \$6.9 billion in revenues has been lost to local governments during the past 12 years due to State redistribution of local revenues. For the City of Mountain View, the cumulative impact of the take-aways is more than \$30 million during this time period. These lost revenues could have been used by the City to provide and enhance important City services to residents, including public safety (e.g., police, fire/paramedic and 9-1-1 services), community services (parks, recreation, youth and senior services), community development and planning, public works and Library services.

A valid concern is that, if provided an opportunity, State leaders will continue to divert local tax dollars to balance the State budget, leaving local governments in the difficult position of having to either raise fees or taxes to maintain services or make service level reductions. Even in the late 1990s when the State was experiencing budget surpluses, it continued to divert local funds through the Educational Revenue Augmentation Fund (ERAF) shift to finance its constitutional funding obligation to public education so that the State could increase its General Fund spending on other State programs.

To increase local control over local tax dollars, the League of California Cities (League), California State Association of Counties (CSAC) and California Special Districts Association (CSDA) are sponsoring an initiative for the November 2004 State-wide ballot titled, Local Taxpayers and Public Safety Protection Act (Act) (Attachment 1).

If approved by the voters, the initiative would amend the California Constitution to increase local control over local tax dollars. Specifically, the Act would:

- Require voter approval for any legislation that provides for any reduction (from January 1, 2003 levels) of local governments' VLF, sales tax or property tax revenues.
- Ensure that local tax dollars are dedicated to local governments to fund local public services.
- Ensure that the Legislature reimburses local governments when the State mandates local governments to assume more financial responsibility for new or existing programs.
- Prohibit the Legislature from deferring or delaying any reimbursements to local governments for State-mandated programs.

The Act does not:

- Raise taxes. The Act will help decrease pressures for local fee and tax increases by protecting local revenue sources from State take-aways.
- Increase funding to local governments. The Act prevents the State from raiding local government funding/revenue sources.
- Reduce current funding that schools receive from local property taxes or funding that schools receive from the State.

The Act does not tell the State how to spend its own revenues. It only prevents the State from taking funds that are designated for local governments and local services or shifting costs to local governments unless first approved by voters.

While State law prohibits the expenditure of public funds to promote ballot measures such as the Local Taxpayers and Public Safety Protection Act, the City Council may adopt a resolution that supports a ballot measure.

The League has requested that cities offer support to the proposed November 2004 Local Taxpayers and Public Safety Protection Act initiative. A draft resolution supporting the initiative is attached to this report (Attachment 2).

The draft resolution:

- Expresses strong support for a State-wide ballot initiative to allow voters to decide whether local tax funds may be taken, confiscated, shifted, diverted or otherwise used to fund State government operation responsibilities.
- Authorizes the City Council and staff to provide impartial informational materials on the initiative as may be lawfully provided by the City's representative. No public funds shall be used to campaign for or against the initiative.
- Encourages the residents of the City to become well informed on the initiative and its possible impacts on the critical local services on which they rely.
- Directs the City Manager or his designee to send a copy of the resolution to the Executive Director of the League of California Cities.

ALTERNATIVES

1. Adopt the draft resolution and a position in support of the Local Taxpayers and Public Safety Protection Act initiative.
2. Adopt a modified version of the proposed resolution.
3. Take no action to adopt the draft resolution.

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PUBLIC NOTICING

In addition to distributing copies of this report in accordance with the City's standard agenda posting requirements, copies of the report were sent to League of California Cities representatives.

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LF/5/CAM
601-03-23-04M^

Attachments: 1. Local Taxpayers and Public Safety Protection Act
2. Draft Resolution

**CITY OF MOUNTAIN VIEW
RESOLUTION NO.
SERIES 2004**

**A RESOLUTION SUPPORTING THE LOCAL TAXPAYERS AND
PUBLIC SAFETY PROTECTION ACT INITIATIVE**

WHEREAS, State government annually seizes more than \$800 million in city property tax funds State-wide through the Educational Revenue Augmentation Fund (ERAF) shift costing cities more than \$6.9 billion in lost revenues during the past 12 years and seriously reducing resources available for local public safety and other services; and

WHEREAS, in adopting the State budget this year the Legislature and Governor appropriated local vehicle license fee backfill and redevelopment property tax funds that are needed to finance critical city services such as public safety, parks, street maintenance, housing and economic development; and

WHEREAS, the deficit financing plan in the State budget depends on a local property and sales tax swap that leaves city services vulnerable if the State's economic condition fails to improve; and

WHEREAS, the adopted State budget assumes an ongoing structural deficit of at least \$8 billion putting city resources and services at risk in future years to additional State revenue raids; and

WHEREAS, it is abundantly clear that State leaders will continue to use local tax funds to balance the State budget unless the voters limit the power of the Legislature and Governor to do so; and

WHEREAS, the voters of California are the best judges of whether local tax funds should be diverted, confiscated, shifted or otherwise taken to finance an ever-expanding State government; and

WHEREAS, the General Assembly of Voting Delegates of the League of California Cities (League) at its September 10, 2003 meeting voted to sponsor a State-wide ballot initiative to empower the voters to limit the ability of State government to confiscate local tax funds to fund State government; and

WHEREAS, the League has requested that cities offer support for a November 2004 ballot initiative that would allow voters to decide whether State

government may appropriate local tax funds to fund State government operations and responsibilities;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Mountain View that the City hereby expresses its strong support for a State-wide ballot initiative to allow voters to decide whether local tax funds may be taken, confiscated, shifted, diverted or otherwise used to fund State government operations and responsibilities.

BE IT FURTHER RESOLVED by the City Council that the City Council and staff are authorized to provide impartial informational materials on the initiative as may be lawfully provided by the City's representatives. No public funds shall be used to campaign for or against the initiative.

BE IT FURTHER RESOLVED by the City Council that residents of the City are encouraged to become well informed on the initiative and its possible impacts on the critical local services on which they rely.

BE IT FURTHER RESOLVED by the City Council that the City Manager or his designee is hereby directed to send a copy of this resolution to the Executive Director of the League of California Cities.

LF/9/RESO
601-03-23-04R^